

TOURISM DEPARTMENT

POLICY STATEMENTS ON VERTICAL INTEGRATION

The following paper makes reference to Vertical Integration within the Tourism industry.

This paper presents some of the possible situations on vertical integration that may arise in some sectors of the tourism industry. There may be other possible cross-ownership or integration of businesses, in which case it would be decided based on the general policy. The policy tries to ensure locals also can have a chance to fully participate and benefit so that the whole economy gains from tourism and that the consumer is best served through competition and diversity.

(Note: In this paper, hotel means any licensed accommodation establishment. Exceptions to this policy shall be allowed for those on islands other than Mahe, Praslin and La Digue.)

General Policy

In general, the tourism policy is that tourism operators should use the services of other service providers as much as possible, exceptions may be allowed for those on islands other than the three principal ones. The aim is to ensure no one has a monopoly or dominant market position and unfair advantage and that everyone can operate and compete fairly, notwithstanding situations where it may not be in the best interest of the country to prevent cross-ownership or integration. The policy statements in the paper try to balance out all the concerns so as to create an environment where all can benefit.

1. VERTICAL INTEGRATION

1.1 Hotel/Tour Operator

A tour operator, or a person with ultimate beneficial interest in a tour operator, can own or operate a hotel provided that the aggregate number of rooms is not more than 150 rooms (vice versa).

Whilst the Vertical Integration Policy aims to promote competition and diversity thereby allowing all individuals to participate equitably, such policy must not become too restrictive and deny existing tour operators with the ability to further invest and contribute to the growth of the sector. The Ministry remains cognizant that these tour operators need to reinvest their funds and the existing platform should not act as a deterrent thereby being detrimental to the growth of the sector.

With the increase of online booking platforms, the number of hotels relying on tour operators for their bookings has decreased significantly. As such, the correlation between hotels and tour operators has decreased considerably. This essentially means that whilst a tour operator may vertically integrate and invest in a hotel, the impact may not be dominant.

As the national objective of the government in developing tourism in Seychelles remains to ensure it generates wealth for the country where as many people can fully participate and benefit from the industry, it is imperative that limits are applied. In this light a tour operator can invest in no more than **150** thus ensuring that the right balance is achieved.

All tour operators shall be required to sign an affidavit upon application or renewal of license to Seychelles Licensing Authority (SLA) that the applicant does not have ultimate beneficial interest in a hotel or hotels having not more than 150 rooms in aggregate.

To note, tour operators with hotels already over the limit shall be allowed to continue to own and operate those hotel rooms but shall not be allowed to increase its capacity.

1.2 Hotel/Car Hire

Mahe

A hotel of 24 rooms or less or a person with ultimate beneficial interest in a small hotel, may own or operate a car hire at the same time (or vice versa).

Hotels of 25 rooms or over are not allowed to invest in car hire because they would be in a position that would disadvantage independent car hire operators. Small hotels and car hire are reserved for Seychellois only; whilst the majority of hotels of 25 rooms or over are foreign-owned, this policy is in line with the overall objective of allowing locals to fully benefit. Since there is a limit on the fleet size of a car hire, this also provides a disincentive for large hotel to be integrated in a car hire business to enjoy economies of scale.

However, the hotel must be 100% Seychellois-owned to be allowed to own a car hire. Currently, hotels between 16-24 rooms may have foreign shareholding of up to 80%. If there is foreign ownership in the hotel, it will not be allowed to own a car hire.

(b) Praslin

A hotel, or a person with ultimate beneficial interest in a hotel, may not own or operate a car hire at the same time (or vice versa).

As Praslin is an island which is heavily dependent on tourism, it is essential to promote as many opportunities as possible for local operators to benefit.

Allowing hotels and car hire to be integrated would create less opportunities for independent operators. As a result, hotels, are not allowed to own or operate their own car hire service or vice-versa.

1.3 Hotel/Hirecraft

(a) Boats for Excursions

A hotel, or a person with ultimate beneficial interest in a hotel, may be allowed to own or operate one boat as hirecraft with a maximum of 12 seats (or vice versa).

Subject to the recommendation of relevant Ministries, Departments and Agencies, a hotel may be allowed to own and operate one hirecraft for *boat charter, glass bottom boat or yachts/liveaboard services* with a maximum of 12 seats. Likewise a hirecraft operator with not more than one boat may own and operate a hotel as well.

These boats cannot be used to offer diving services, which must be contracted to a licensed diving business, except on a liveaboard as a dive operator.

Those with more than one boat will be allowed to continue to operate their current number of boats.

Note: Hotels on islands other than Mahe, Praslin and La Digue are exempted.

(b) Necessary Means of Transport

Hotels on islands other than Mahe, Praslin and La Digue, or where it is not serviceable by a public transport system, are allowed a number of boats, as necessary means of transport, subject to meeting the requirement and approval of the Tourism Department and other regulatory bodies. The number of boats shall be based on the number of rooms as follows:

<i>1st 25 room or part thereof</i>	<i>2 boats</i>
<i>Each additional stock of 25 rooms (must operate a full stock of 25 rooms)</i>	<i>1 boat</i>

A hotel can have two boats as necessary means of transport for the first 25 rooms or part thereof; it can have an additional boat for each full stock of 25 rooms that are licensed. This means a hotel must operate at least 50 rooms to enjoy a

third boat in its fleet: two for the first 25 rooms and one for the second full count of 25.

The boats as necessary means of transport fall under the following categories:

(i) ***Transfer of clients/guests***

Hotels on islands other than Mahe, Praslin and La Digue, or where it is not serviceable by a public transport system, are allowed to have boats, as necessary means of transport, for transfer of clients to and from the island.

(ii) ***Transfer of staff***

Again, the aforesaid type of hotels are allowed to have boats, as necessary means of transport, for transfer of staff and for other services required to operate the hotel. One boat over and above the quota specified shall be allowed for staff transfer.

1.4 Hotel/Dive Centre

A small hotel, or a person with ultimate beneficial interest in a small hotel, can operate a dive centre (or vice versa).

Only small hotels (24 rooms or less) are allowed to own or operate a dive centre subject to the policy on accommodation and dive centre. This allows small establishments to specialize in dive resorts which is niche market catering specifically to divers.

However, the hotel must be 100% Seychellois owned to be allowed to operate a dive centre. Currently, hotels between 16-24 rooms may have foreign shareholding of up to 80%. If there is foreign ownership in the hotel, it will not be allowed to operate a dive centre.

Hotels with 25 rooms or more must contract out to independent operators for dive centre services. This will better distribute the wealth to independent operators.

Note: *Hotels on islands other than Mahe, Praslin and La Digue and hotels with 24 rooms or less currently operating a dive centre are exempted.*

1.5 Hotel/Non-Motorised Watersports

A hotel is allowed to offer non-motorised watersports on a complimentary basis to its clients only from its base of operation.

Non-motorised watersports activities is reserved for Seychellois only. However, consideration shall be given where a hotel wants to provide limited non-motorized activities, but must be on a complimentary basis and must be from its base of operation.

If the non-motorized watersport business is contracted out, the watersports operator must be Seychellois. Hotels may therefore lease out premises within the hotel to facilitate the operation of the business. In doing so, the hotel should have no interest in the non-motorized water sport business except for ownership of the premises.

1.6 Hotel/ Motorised Watersports

A hotel is allowed to offer motorised watersports to its clients if it is within demarcated areas provided that it is contracted out to a Seychellois.

Motorized watersports activities are reserved for Seychellois only. However, a hotel may provide motorized watersport activities if it is within the demarcated areas and must be contracted out to a Seychellois. Hotels may therefore, lease out premises within the hotel to facilitate the operation of the business. In doing so, the hotel should have no interest in the motorized water sport business except for ownership of the premises.

1.7 Hotel/Courtesy Cars (Chauffeur-driven)

Five Star hotels are allowed to have a maximum of two (2) courtesy cars.

Five star hotels may own a maximum of two (2) courtesy cars for use by the hotels' clients only as courtesy service (complimentary); in line with specifications set by the Department of Transport are met. The hotel shall thus not charge clients for use of these cars.

1.8 Hotel/Bicycle Hire

(a) For La Digue, accommodation establishments of more than 5 rooms are not allowed to own a bicycle business, directly or indirectly.

(b) For Mahe and Praslin, accommodation establishments are allowed to offer a bicycle service to their own clients as a complimentary service.

(a) La Digue

On La Digue, hotels of more than 5 rooms are not allowed to own or operate a bicycle, directly or indirectly. They must contract out to an independent bicycle hire. This is to ensure independent operators are also able to get access to clients and contribute towards the tourism industry on the island.

Note: Existing accommodation establishment on La Digue with more than 5 rooms currently operating a bicycle business are exempted.

(b) Mahe and Praslin

On Mahe and Praslin, hotels are allowed to offer their clients a bicycle facility as a complimentary service to their clients or as an added value to their package.

1.9 Shops/Retail outlets in Hotels

Large hotels should make available shops or retail outlets located on the hotel premises to local entrepreneurs selling local products.

It is important that local entrepreneurs such as artisans and craftsmen are able to get access to visitors so that they can also benefit directly from tourism and be full participants contributing towards the economy. This is also a means to increase the value chain of tourism so that more money remain in the local economy and there be a more equitable distribution of the wealth.

Hotels with only one shop or retail outlet shall ensure that local products are available in the shop.

Hotels with more than one shop or retail outlet shall ensure to lease out at least one shop or retail outlet to local entrepreneurs.

Making retail outlets available should also be integrated in the hotels corporate social responsibility policy which will contribute towards the local economy and generate better distribution of wealth.

For new projects, it will be a condition of approval from the Planning Authority that they make those shops or retails available to local businesses at market value.

1.10 Tour Operator/Car hire

A tour operator, or a person with ultimate beneficial interest in a tour operator, cannot own or have interest in a car hire at the same time (or vice versa).

This is explicitly stated in the Licenses (Tour Operator and Travel Agent) Regulations. Regulation 4(1)(d) states

An applicant for a licence under regulation 3 shall be accompanied by –

*an affidavit by the applicant that the applicant or any member of applicant's managerial staff or, where the applicant is a firm or company, any of its partners, directors, or shareholders does not own any shares in a hotel, **car hiring** business or any other tour operating company.*

1.11 Tour Operator/Hirecraft

A tour operator, or a person with ultimate beneficial interest in a tour operator, may be allowed to own or operate a maximum of 5 boats.

Subject to the recommendation of relevant Ministries, Departments and Agencies and meeting the requirements and conditions of the Department of Tourism, a tour operator may be allowed to operate its own hirecraft up to 5 boats altogether. Those wishing to offer additional boats will need to contract out to independent hirecraft operators. The five boats can be any combination of *glass bottom boats, boat charter operations, or yachts/liveaboard services*. However, these boats cannot be used for diving services, which must be contracted out to licensed diving businesses.

Existing tour operators who currently have more than 5 boats (including glass bottom boat) will be given a one year deadline beginning 01st June, 2018 to remove the additional boats from their fleet.

A person with ultimate beneficial interest in both a tour operator and a hotel shall not be allowed to operate more than five (5) hire crafts.

1.12 Tour Operator/Restaurant

A tour operator, or a person with ultimate beneficial interest in a tour operator, is allowed to own or operate one stand-alone specialty restaurant.

A tour operator is allowed to own or operate one stand-alone specialty restaurant and can be located outside hotel premises on Mahe, Praslin and La Digue. The restaurant should be open to the general public. Tour operators shall ensure to use existing restaurants to spread the wealth.

Restaurants on other islands are exempted.

Specialty Restaurant: A restaurant that specializes in a particular cultural cuisine only for example Italian Restaurant, Chinese Restaurant etc...

1.13 Tour Operator/Ferry

A tour operator is allowed, directly or indirectly, to own or operate an inter-island ferry service, provided that it does not exceed the maximum capacity of 1450 seats in the total fleet.

A tour operator is allowed to own or operate an inter-island ferry service. However, it is important that there be competition in the market. As such, it is necessary that there be a limit on the number of boats and the maximum capacity

so that an operator does not become too dominant and powerful that would make it difficult for potential investors who would like to set up such an operation. Therefore, an operator of an inter-island ferry service is limited to a maximum capacity of 1450 passengers.

It is also important to note that being an island nation ferry service is an important component of the transport infrastructure of the country. The current ferry operator serves a public service as it provides an essential service to the general population. In collaboration with the operators, it is imperative that the fare system be reviewed to address the disparity between fares for Seychellois and visitors.

June 2018

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